CEO

46

CITIZENS FOR ECONOMIC OPPORTUNITY
Corporate Responsibility Campaign

S.B. 46 – An Act Concerning Transparency of Medical Loss Ratio Information

My name is Karen Schuessler and I am the Director of Citizens for Economic Opportunity (CEO). CEO is a coalition of community and labor groups addressing health care reform and corporate responsibility.

I strongly support S.B. 46. Establishing greater transparency regarding the medical loss ratio is a giant step in making the health care system more efficient and ensuring that all Connecticut residents have health care that is affordable and accessible.

As you know, a medical loss ratio is a requirement that insurers spend, at least, a specified percentage of premium dollars on medical care as opposed to administration, marketing and profit. Transparency of the medical loss ratio is important for many reasons including the following:

1. The United States spends $350 billion a year on health care administration and paperwork.
2. Healthcare premiums in Connecticut rose 8.2 times faster than median earnings from 2000 to 2007.
3. CEO pay for insurance companies is excessive and extravagant. Ronald Williams, the CEO of Aetna made $23,045,834 in total compensation in 2007.
4. Some insurance companies value profits at the expense of policyholders. For too many insurance companies, the name of the game is deny, delay and defend to avoid paying claims. Last year, here in Connecticut, Assurant Health denied hundreds of claims alleging that patients had health problems that pre-dated their policies. The Connecticut Insurance Department had an outside firm re-examine 811 claims. A settlement was reached and Assurant companies paid more than $255,000 in restitution and interest on 39 previously denied health insurance claims.

Establishing transparency is the right step in ensuring that our health care dollar is being spent to make people well and not on profit and administration. However, it is only the beginning and I urge you to go a step further and support a medical loss ratio of no less than 87.5%. If an insurer fails to spend enough on medical care to meet the minimum medical loss ratio, it must either refund consumers or adjust their premiums. Families USA conducted interviews with insurance regulators in 19 states and learned that insurers in the individual market sometimes maintain medical ratios of only 60% and retain 40% of premium dollars for administration, marketing and profit.

A number of states are implementing medical loss ratios to reduce excessive profits. New Jersey requires individual and small group insurers to spend 75% of the premium dollars on medical care. Insurers set the premiums at the beginning of the year and file a certification that medical claims will

C.E.O. ♦ 111 South Road ♦ Farmington, CT 06032 ♦ (860) 674-0143 ♦ Fax: (860) 674-1164

exceed 75% of premiums. Insurers must report annually and at the end of the year if the amount spent on medical claims is less than 75% of collected premiums, they issue refunds which has resulted in $11.6 million dollars being refunded to consumers between 1993 and 2006.

Other states have refunded money to policy holders. As a result of Maine's medical loss ratio, one Maine insurance company refunded policyholders $6.6 million and another one refunded policy holders $1 million. In May 2008, it was announced by the New York Governor and the Department of Insurance that Oxford Health Insurance will refund $50 million to 37,000 small businesses in the state because in 2006, they did not achieve the 75% minimum medical loss ratio.

I appreciate your efforts to make health care more efficient and urge your support of this bill. I also hope you will adopt a medical loss ratio of no less than 87.5% which would result in money being refunded to policyholders and may increase doctors ' reimbursements.

Karen Schuessler
Director
Citizens for Economic Opportunity
860-674-0143